

Dear Fellow Pennsylvanians:

Pyramid schemes are illegal money-making ventures for individuals, businesses, and small groups of people, in which large numbers of people at the bottom of the pyramid pay money to a few people at the top. Each new participant pays for the chance to advance to the top and profit from payments of others who might join later.



Recruits are offered the promise of large sums of money if they successfully bring in others to pay money to join the pyramid. Pyramid schemes focus on the exchange of money and recruitment. Usually, there is no legitimate product or service being sold.

Pyramids and chain-letter schemes that require more than \$25 as an “investment” are illegal in Pennsylvania. Participants are subject to civil penalties of up to \$1,000 for each violation. All money obtained through the pyramid must be returned.

Those who make any false or misleading statement to help promote or organize a pyramid are subject to fines and jail sentences.

Mike Fisher

Mike Fisher
Attorney General
Commonwealth of Pennsylvania

How do Pyramid Schemes Work?

A pyramid scheme is formed when a promoter or promoters collect money from a certain number of people and instruct them to collect more money from others. The cycle goes on from there. As the pyramid grows, the number of people needed to sustain the pyramid becomes too large. Some people will fail to send in their money, or to recruit others, and the pyramid crumbles. The majority of people end up on the “bottom” of the pyramid and inevitably will lose their initial “investment.” They won’t get their money back or earn their promised fortune because no one is beneath them in the pyramid adding new money to the pot.

Why Would Anyone Pay to Join a Pyramid Scheme?

Pyramid promoters are masters of group psychology. At recruiting meetings they create a frenzied, enthusiastic atmosphere where group pressure and promises of easy money play upon people’s greed and fear of missing a good deal. It is difficult to resist this kind of appeal unless you recognize that the scheme is rigged against you.

How are Pyramid Schemes Disguised?

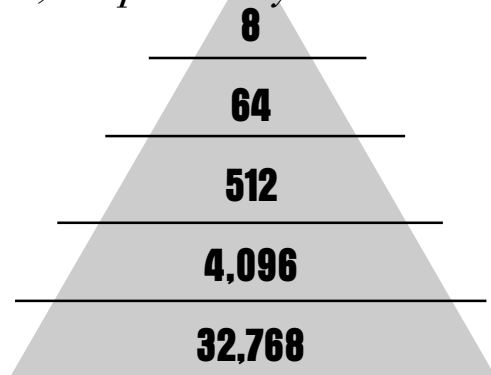
▲ Pyramid schemes may be disguised as games, chain letters, buying clubs, motivational companies, mail order operations, or investment organizations.

▲ Some pyramid promoters try to make their schemes look like multi-level marketing operations. The sale of legitimate products may distinguish multi-level operations from pyramids. When the emphasis is on recruiting new members rather than selling something of value the organization is probably an illegal pyramid.

▲ A pyramid scheme takes on a line of products and claims to be in the business of selling them to consumers. However, little or no effort is made to actually market the products. Instead, money is made in typical pyramid fashion, from recruiting. New distributors are pushed to purchase large and costly amounts of inventory when they sign up.

▲ Pyramid schemes often choose products which are cheap to produce and have no established market value, such as new miracle products, exotic cures, etc. The best way to avoid a disguised pyramid fraud is to know what to look for in a legitimate income opportunity.

If it seems too good to be true, it probably is!



In the typical pyramid scheme for every individual who collects money you need eight individuals to pay.

So, if you are not one of the first individuals in, then it is going to be very difficult to recoup your money - not to mention benefit from additional gains!

How to Protect Yourself From a Bad Investment

Slow Down!

Don't let **anyone** rush you. A good opportunity to build a business in a multi-level structure will not disappear overnight. People who tell you to "get in on the ground floor" are implying that people joining later will be left out in the cold.

► Where to go for Help

Contact the...

Bureau of Consumer Protection
Office of Attorney General
Mike Fisher
14th Floor, Strawberry Square
Harrisburg, Pennsylvania 17120

**CONSUMER
PROTECTION HOTLINE
1-800-441-2555**

TDD# 1-800-382-4814

*The Pennsylvania Attorney General's
Internet address is:
<http://www.attorneygeneral.gov>*

PYRAMID SCHEMES

*If You Play...
You Pay*



Office of Attorney General
Commonwealth of Pennsylvania

Mike Fisher
Attorney General